

ZS Associates

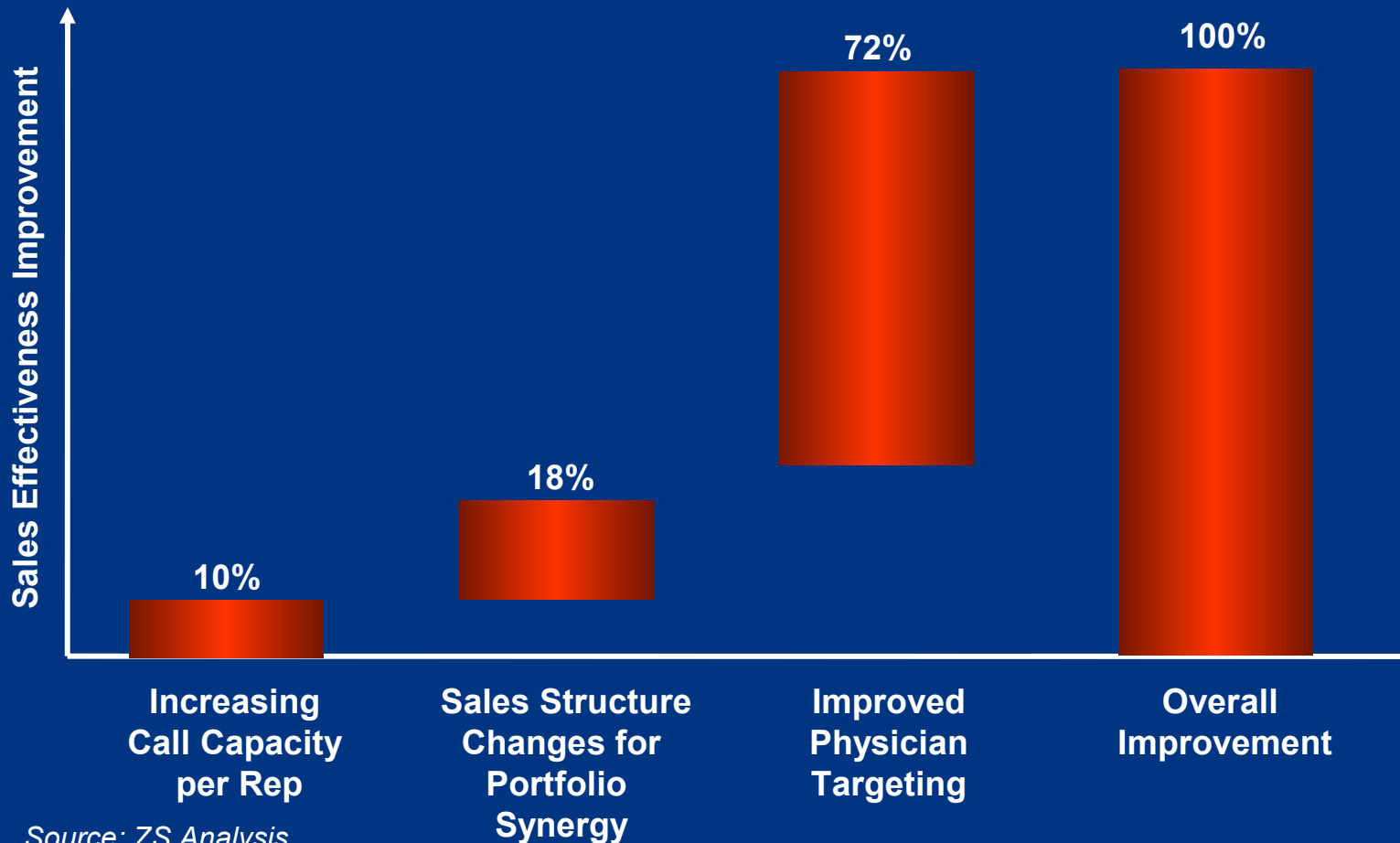
***Customer Segmentation and Targeting:
The Critical Success Factors***

Athens

February 2008



Targeting offers the most opportunity for sales improvement for most pharma sales organisations



The impact of a successful targeting initiative should start to show after 6 months and can boost sales 10 – 15%

How can we ensure brand communication is focused on the right customers ?

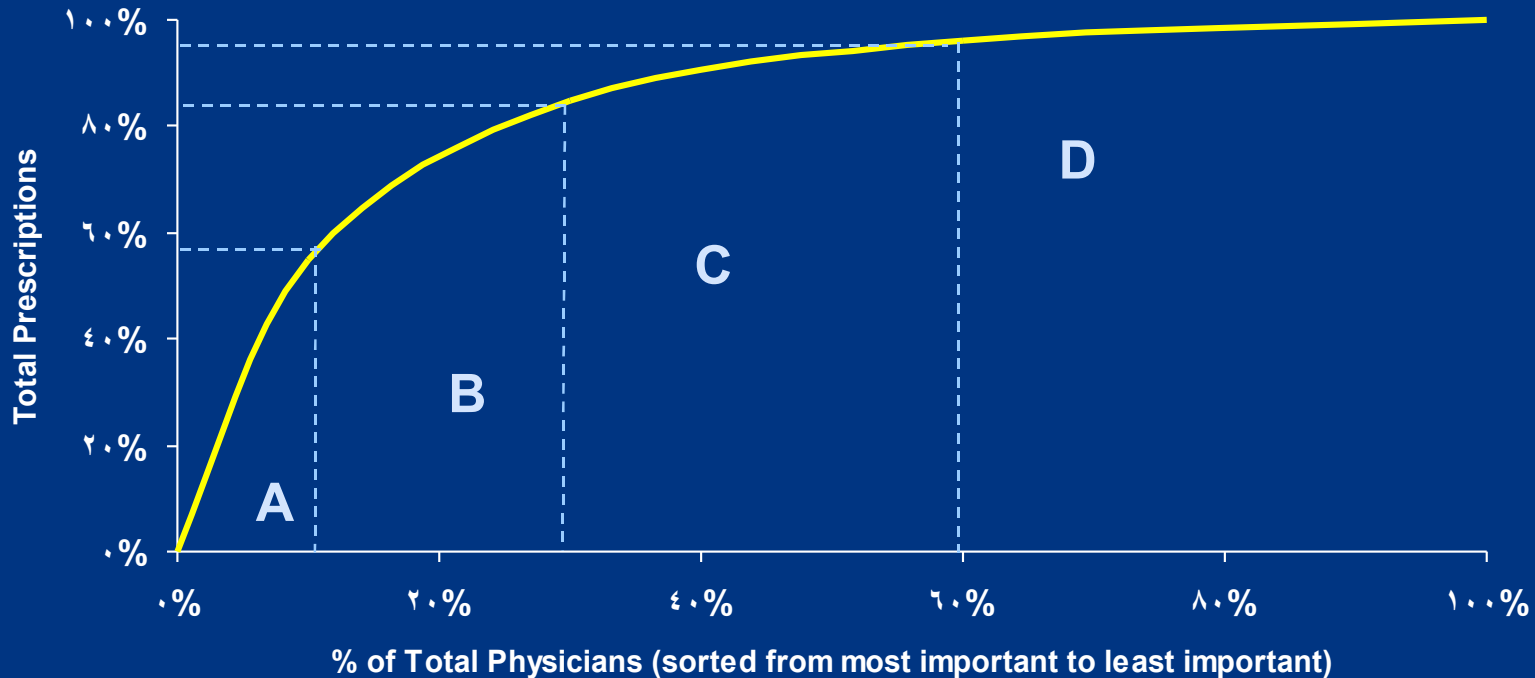
Presentation objective

Describe how, in a market such as Greece, to get customer segmentation and targeting implemented effectively in the field, in order to:

- focus communication on the right customers**
- deliver significant impact on sales performance**

This presentation will have a practical, field orientation

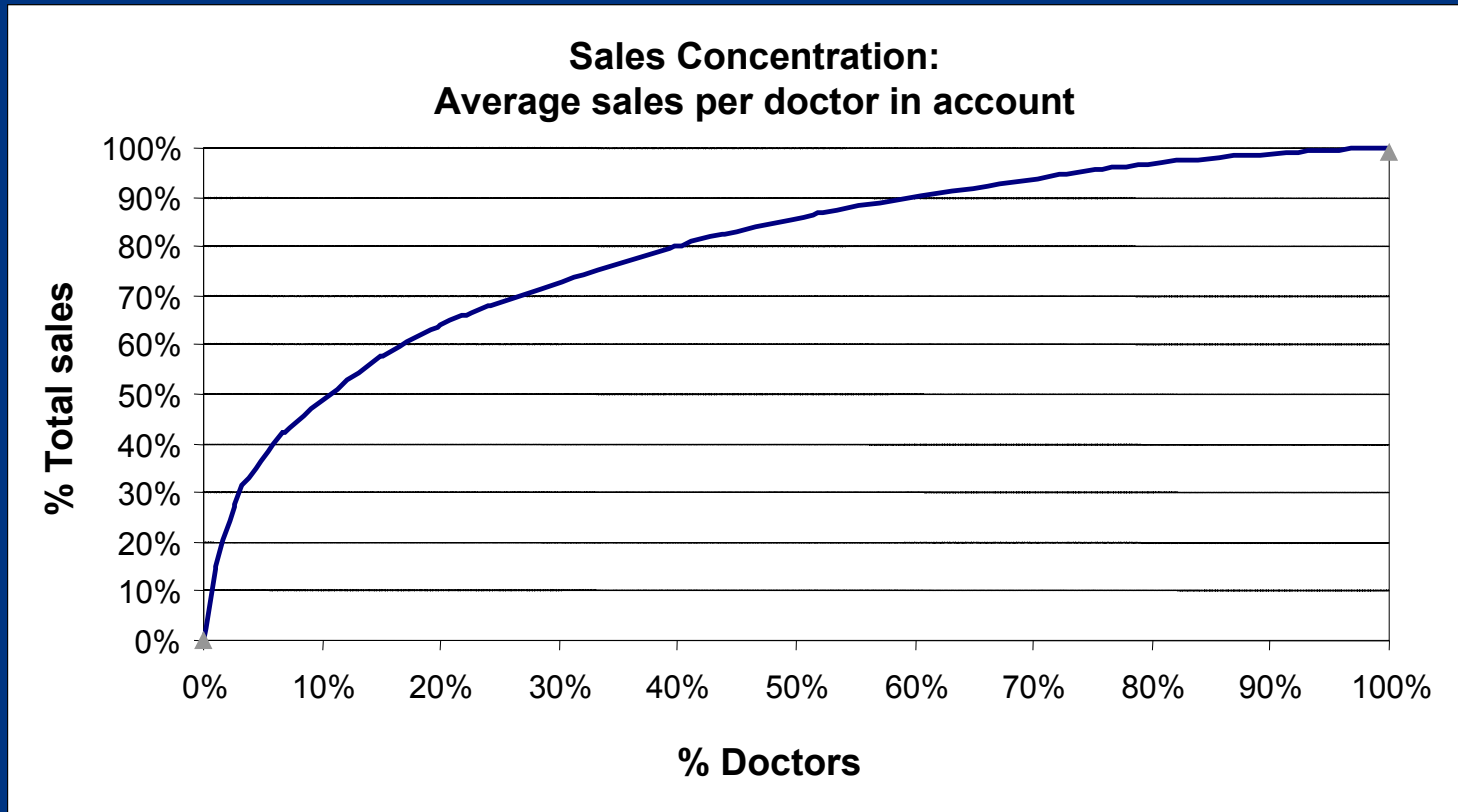
This benefit is not surprising considering the fundamental characteristic of all markets



Decreasing importance of customers

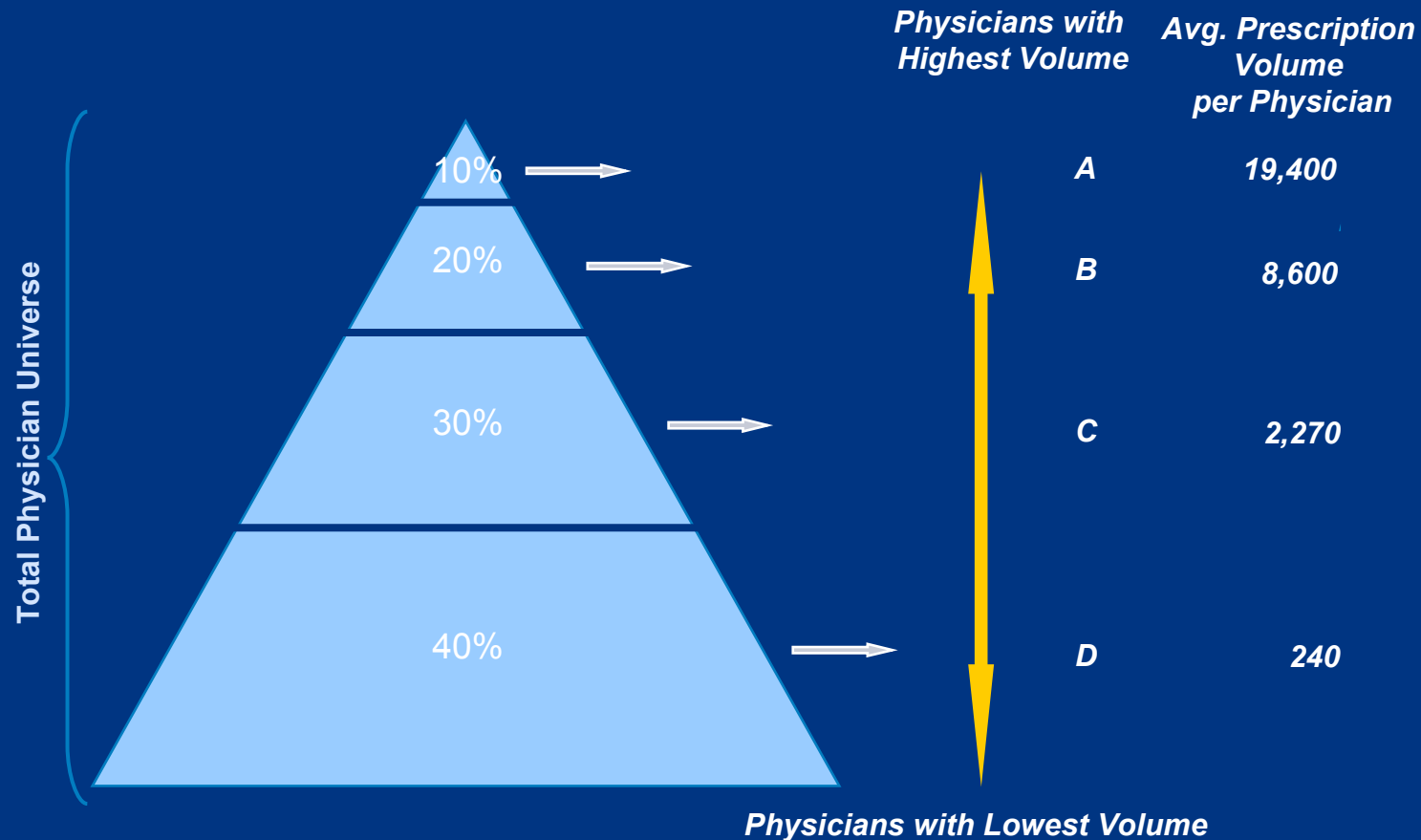
Most European pharma markets do not obey Pareto but are nevertheless highly concentrated

.... which also seems to be the case in Greece !



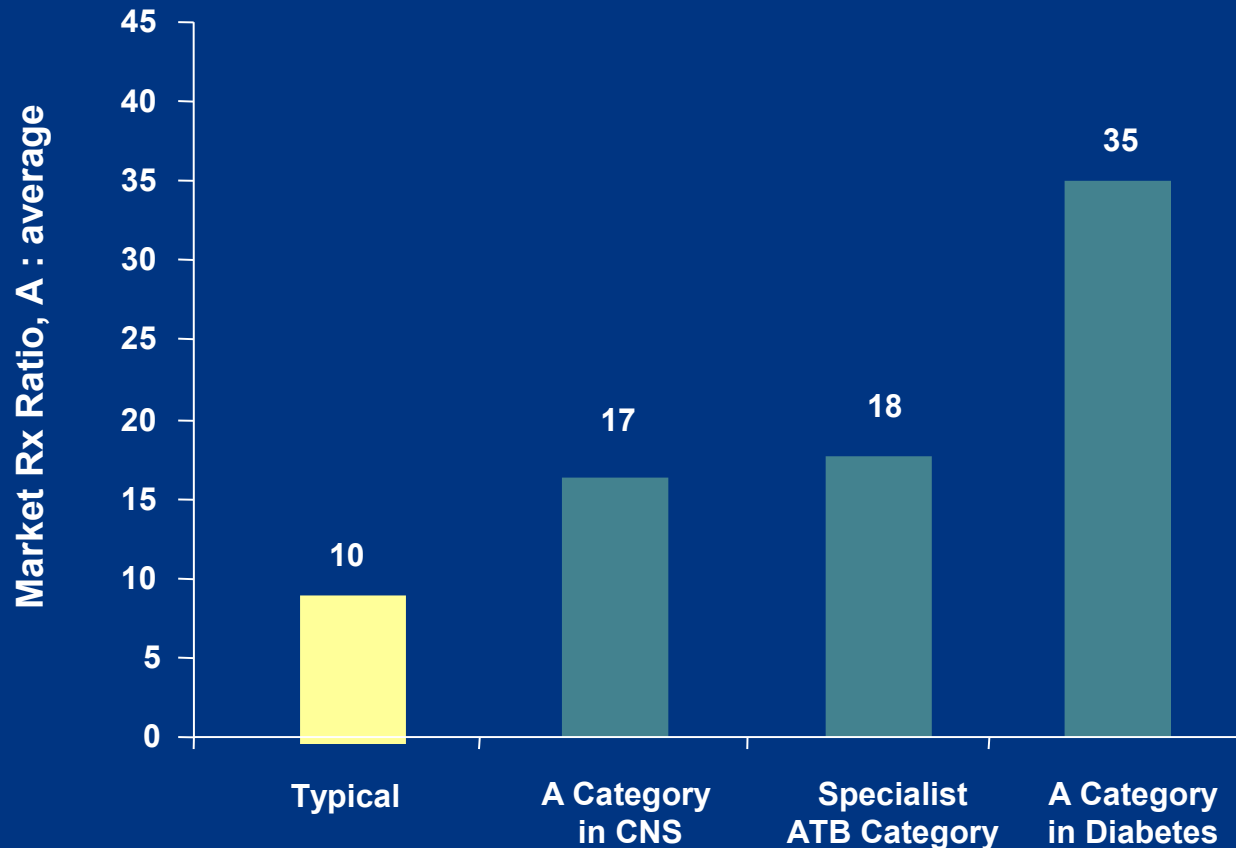
**This example based on hospital account level sales for a brand which dominates product category
Note: actual concentration at doctor level will be higher**

The consequence of this is dramatic variation in doctor value (often over-looked)



Top doctors have almost ten times the value of the average

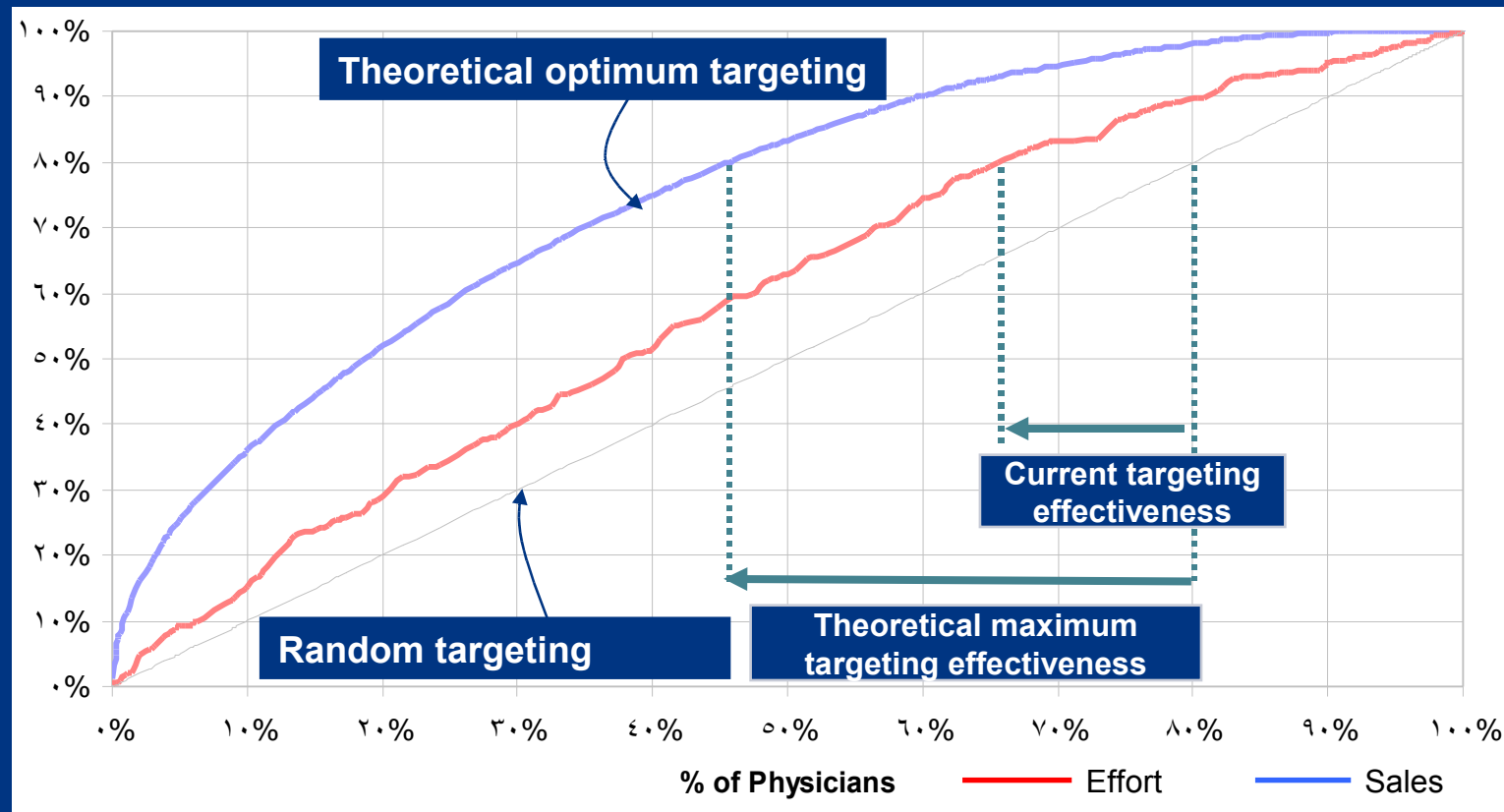
In some product categories the relative value of top doctors is even higher



Success depends on impact with the top doctors

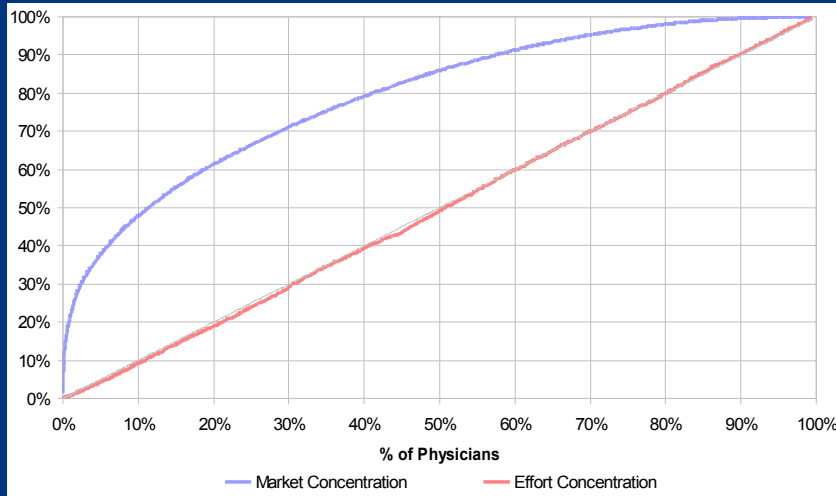
Few organisations fully address this difference in customer value with their targeting

Effort Allocation vs Market Sales Concentration

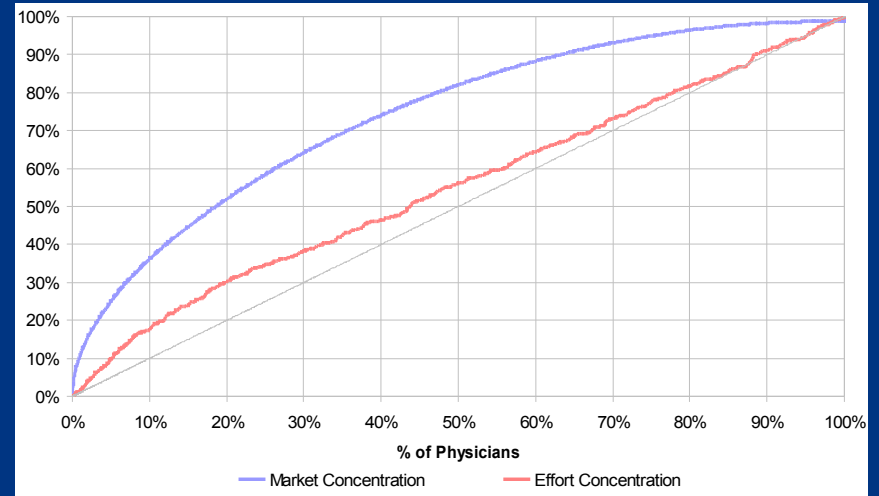


Targeting is usually better than random, but the lack of focus of sales activities, especially with top customers, significantly reduces impact

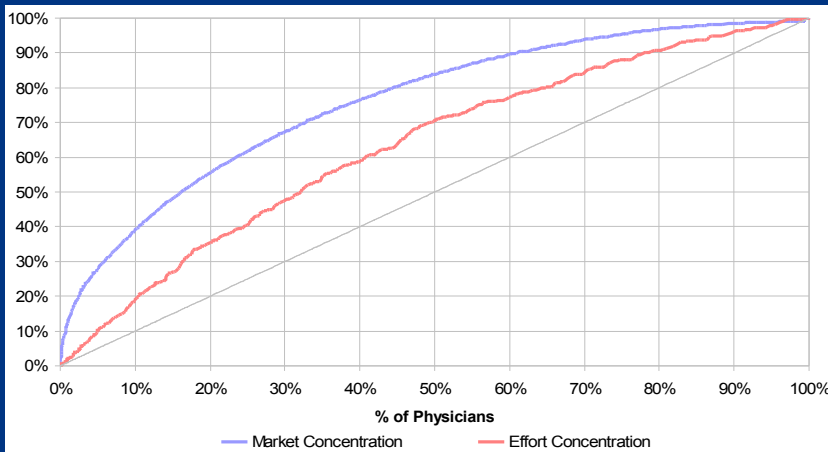
... performance varies widely across and even within organisations



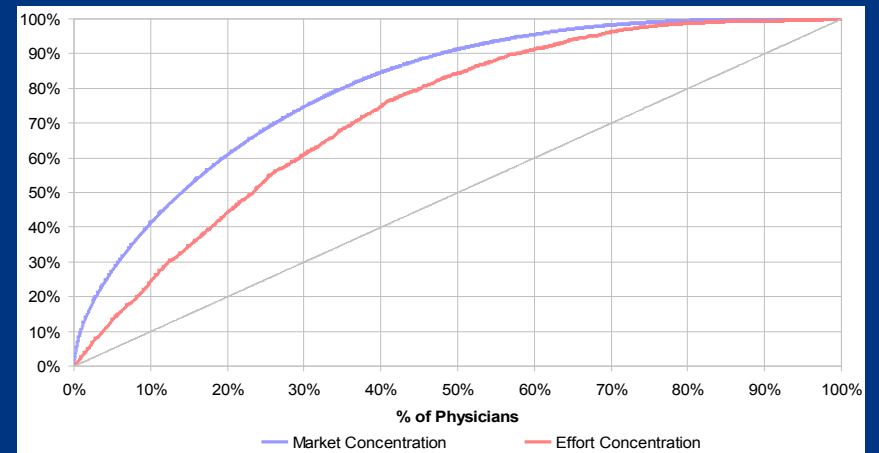
Random



Better than random on top customers

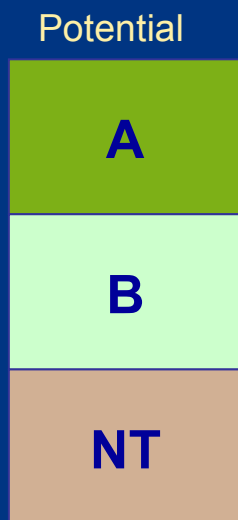


Activity concentration about half of market

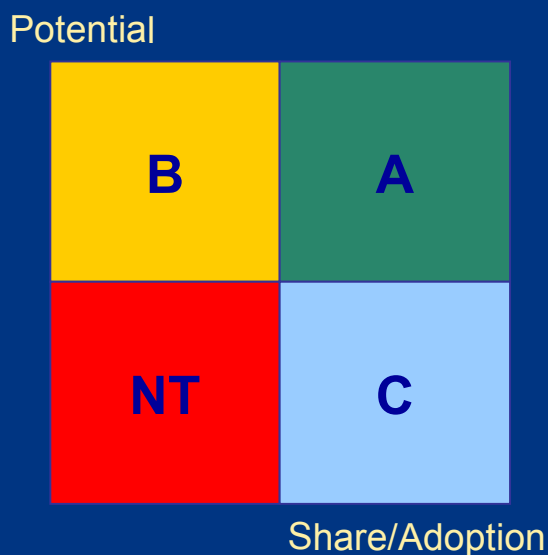


Majority of market concentration reflected

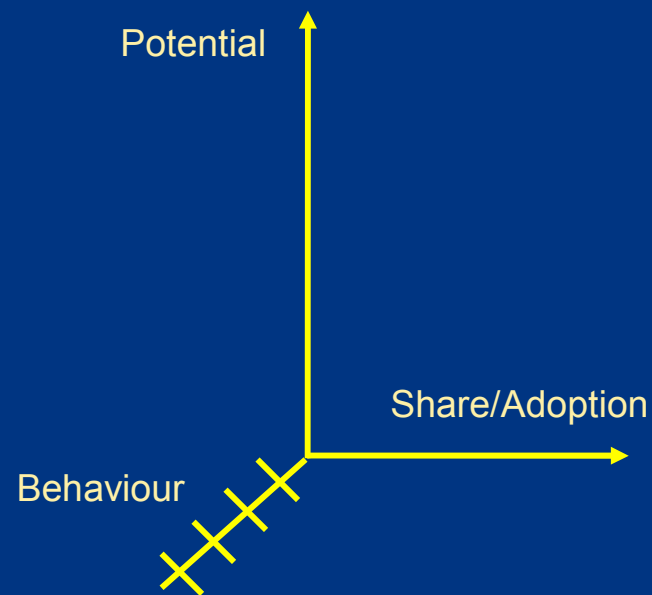
What drives performance ? Pragmatic and field oriented segmentation and targeting



1D Segmentation



2D Segmentation



3D Segmentation

A critical starting point is a segmentation which is actionable, meaningful to the field, and matches their capabilities

Few sales forces can work beyond 2D and 3 – 5 segments !

To be pragmatic segments require straightforward clear strategies and objectives ...

Strategy: Establish sales

Objective: Regular prescribing within core patient group

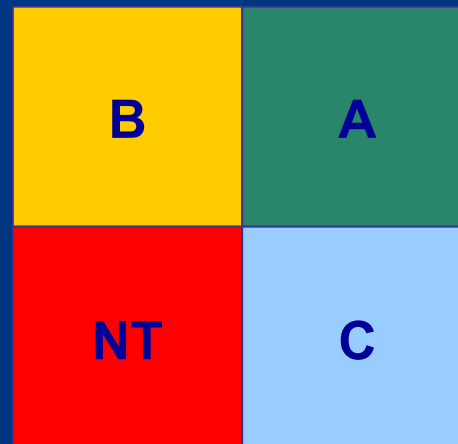
Tactics: coverage, frequency, messages, tools

Strategy: Avoid investment

Objective: No promotion

Illustration

Potential



Share/Adoption

Strategy: Maximise sales growth

Objective: Broaden prescribing to additional patient groups

Tactics: coverage, frequency, messages, tools

Strategy: Minimise investment

Objective: Cost effective promotion to maintain prescribing within current patient groups

Tactics: coverage, frequency, messages, tools

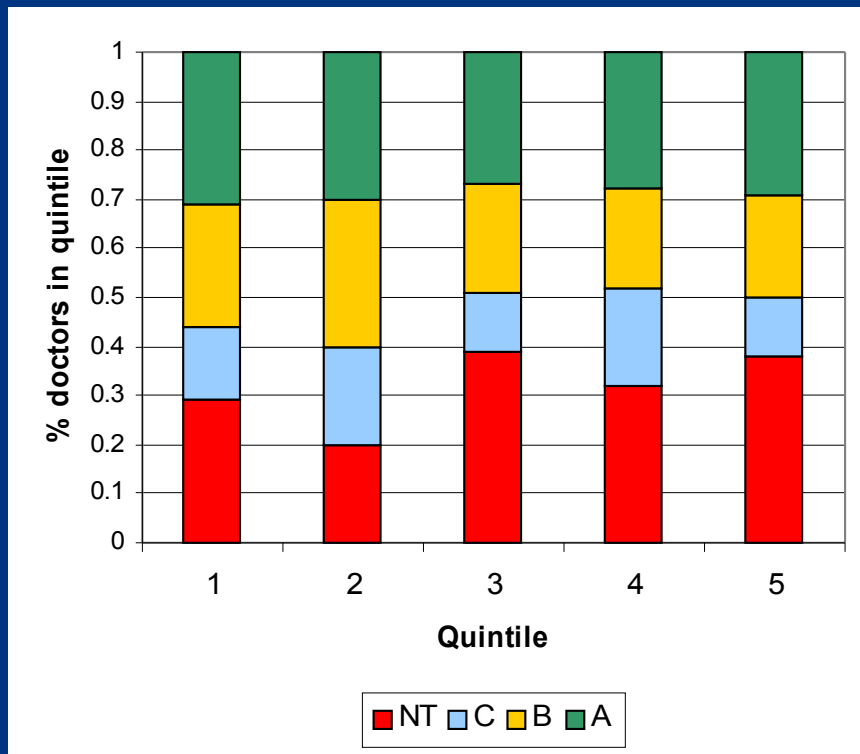
and the field must be capable of differentiating tactics across segments to support these objectives

... and performance needs to be evaluated regularly to highlight areas for improvement

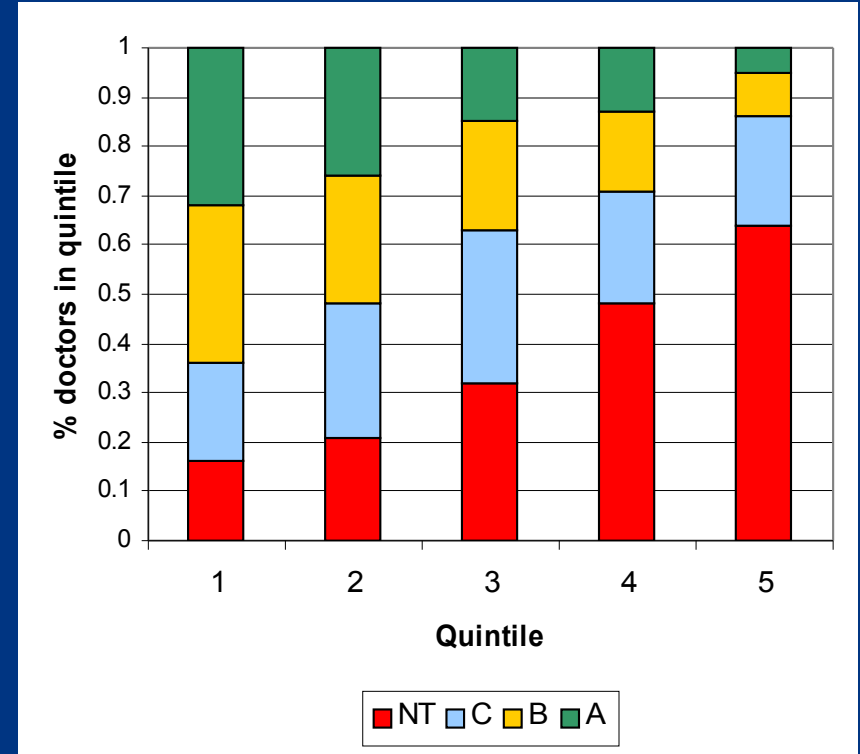


Dividing the process into measurable components facilitates tracking and diagnosis

Valuation can be tested by measuring against the most reliable objective data



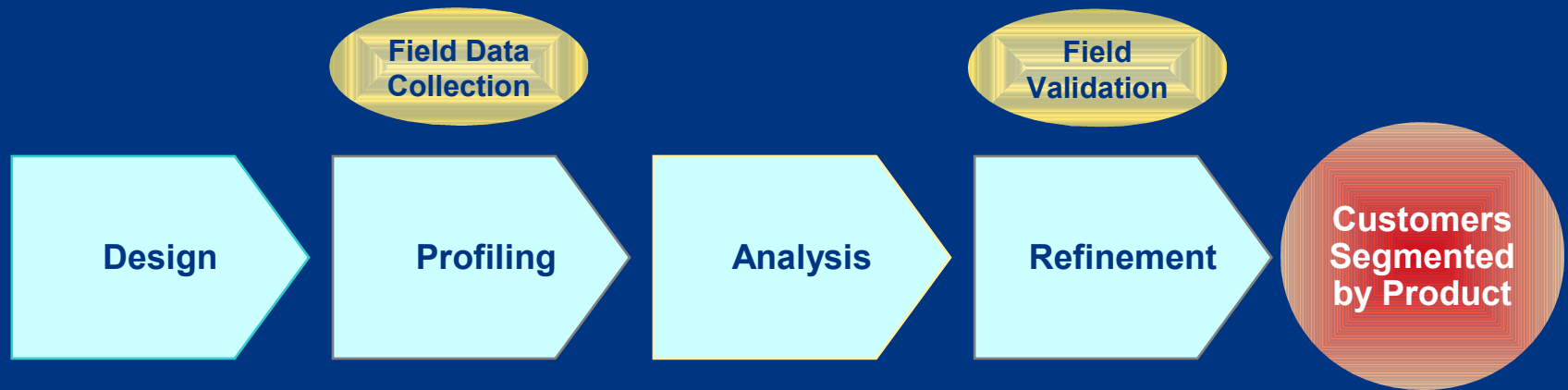
Random relationship between classification and audited market sales data indicates poor valuation



Trend of more As and Bs in top quintiles and fewer in lower quintiles indicates strong valuation ability

Examples from evaluations of customer identification ability in Greece

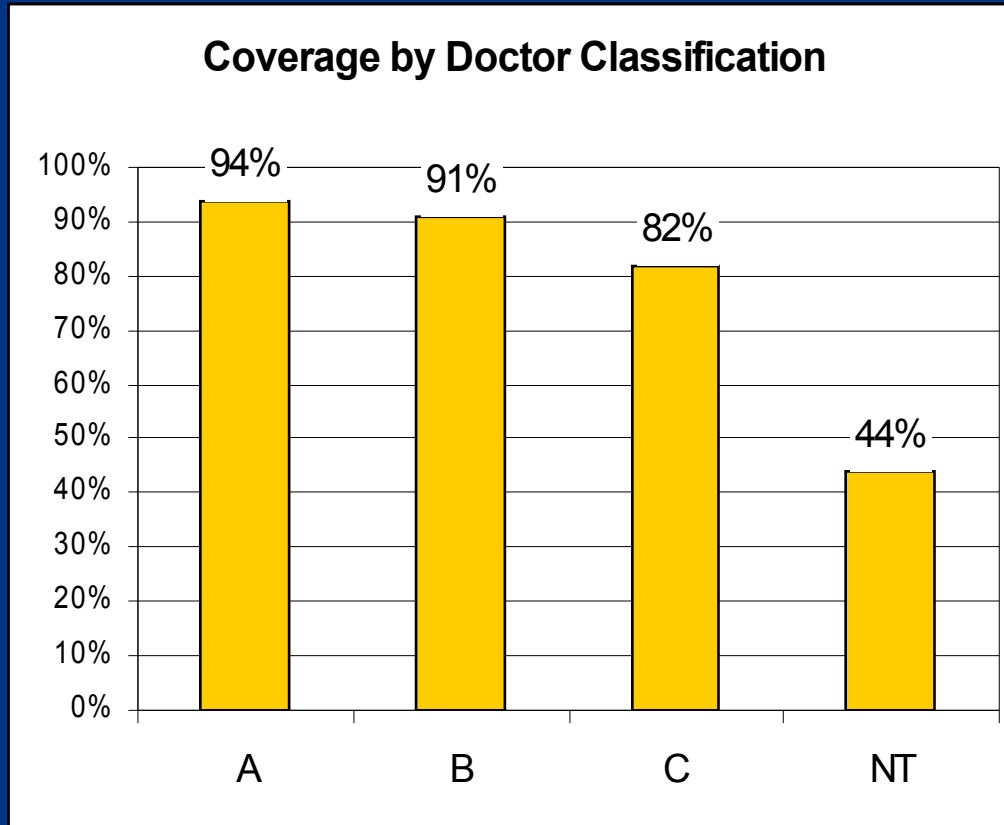
In markets with thin data, successful valuation requires the engagement of the sales force



Successful valuation processes implement the following principles:

- Cross-functional team
- Few doctor segments
- Clear link between valuation criteria and brand strategy
- Few doctor questions, market testing prior to roll-out
- Straight-forward, objective differentiating questions
- Effective field briefing and training for field profiling
- Comprehensive profiling (so far as practical)
- Doctor classification conducted at national level
- Classification analysis (algorithm) reflects strategy and data quality
- Well controlled field validation to generate belief/capture local factors

Coverage versus target doctors is an indication of field buy-in and belief in the target list

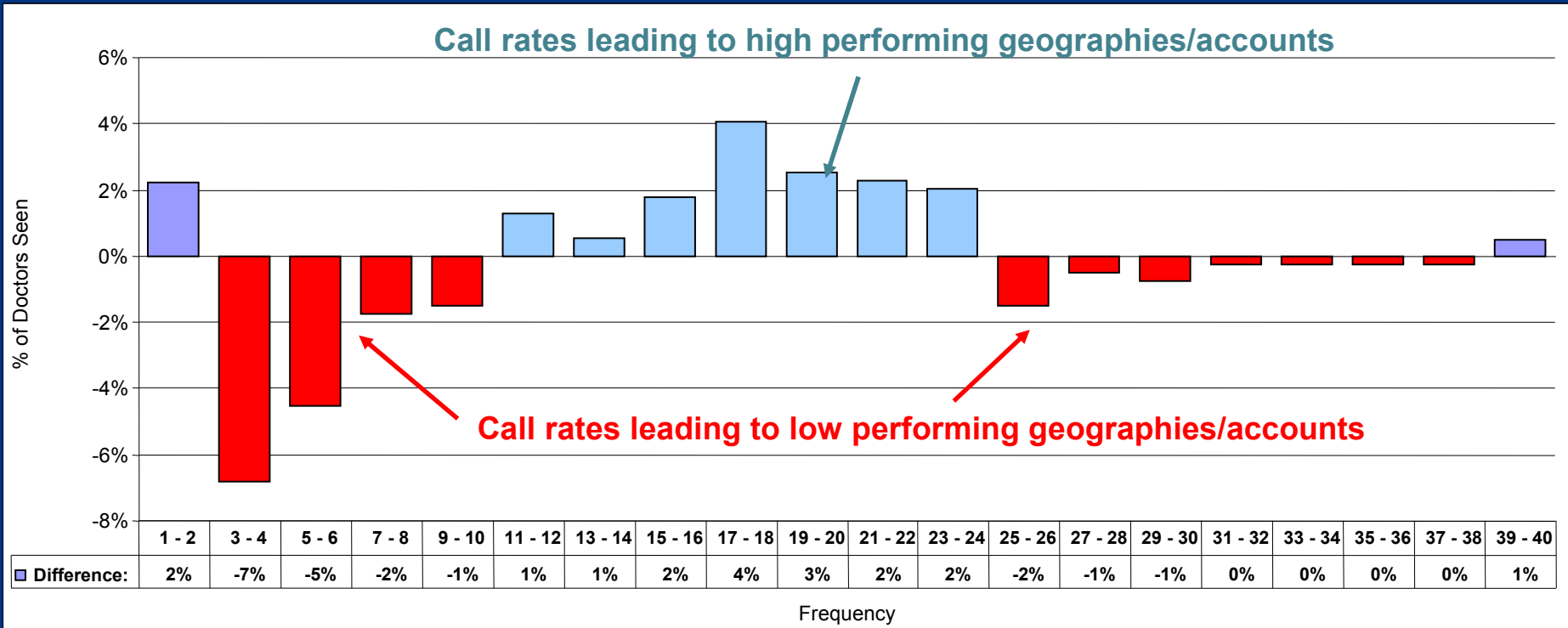


Actual Doctors Seen	
A	851
B	927
C	1,536
NT	2,133

Effort on non-targets tells us if the field are really trying to implement the target list or focusing more on daily call rates

The best organisations put minimal levels of effort on NTs

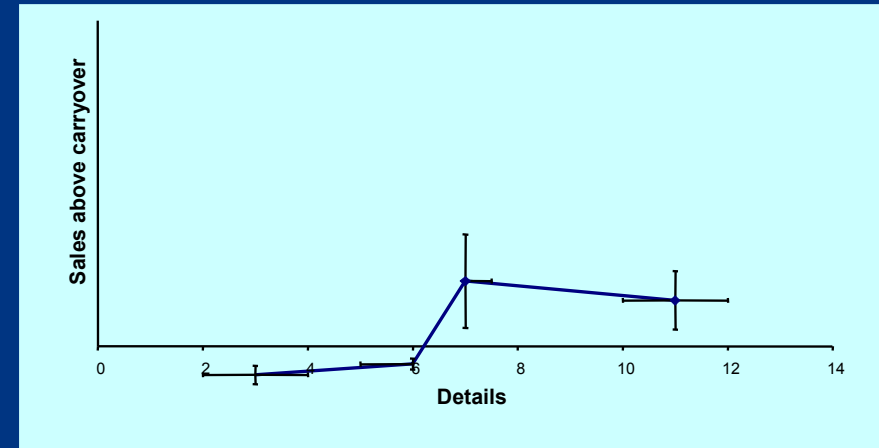
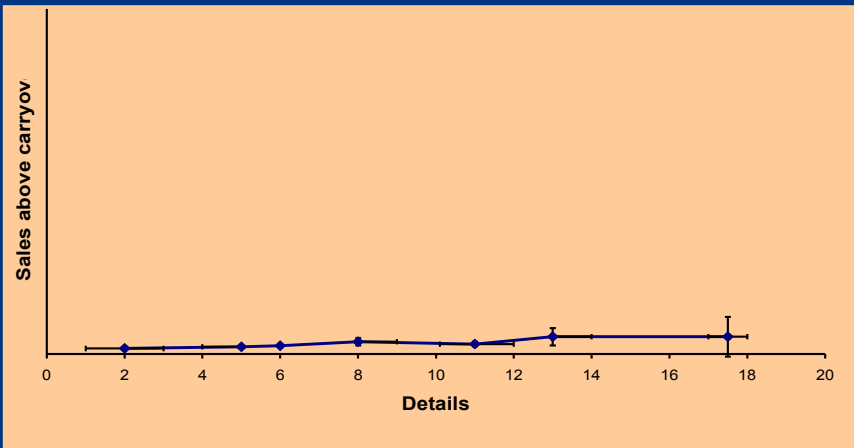
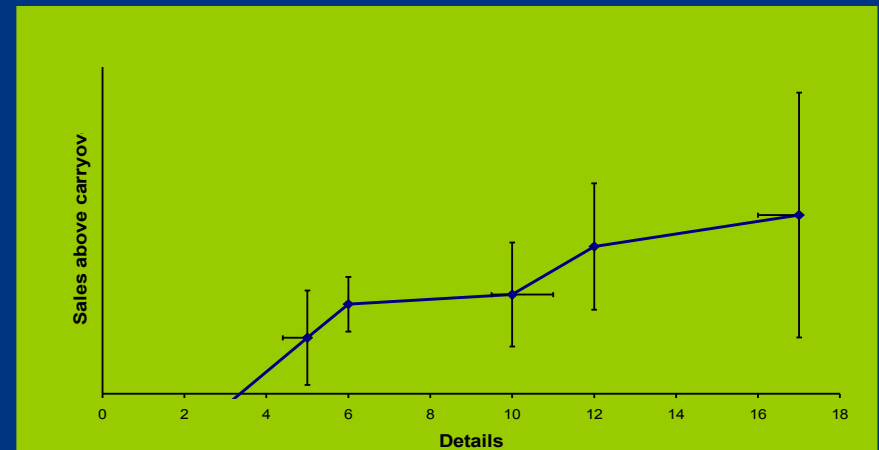
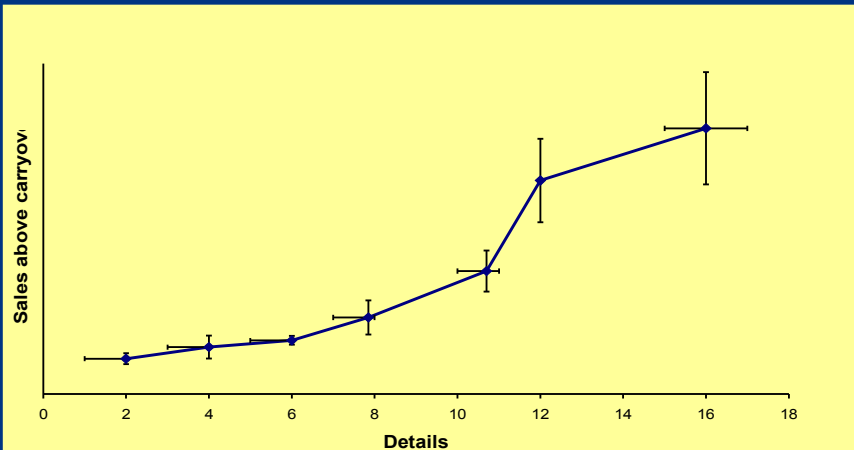
A key tactic for each segment is the call frequency



In Greece the competitive call rate to be used for high value customers can be estimated by analysis

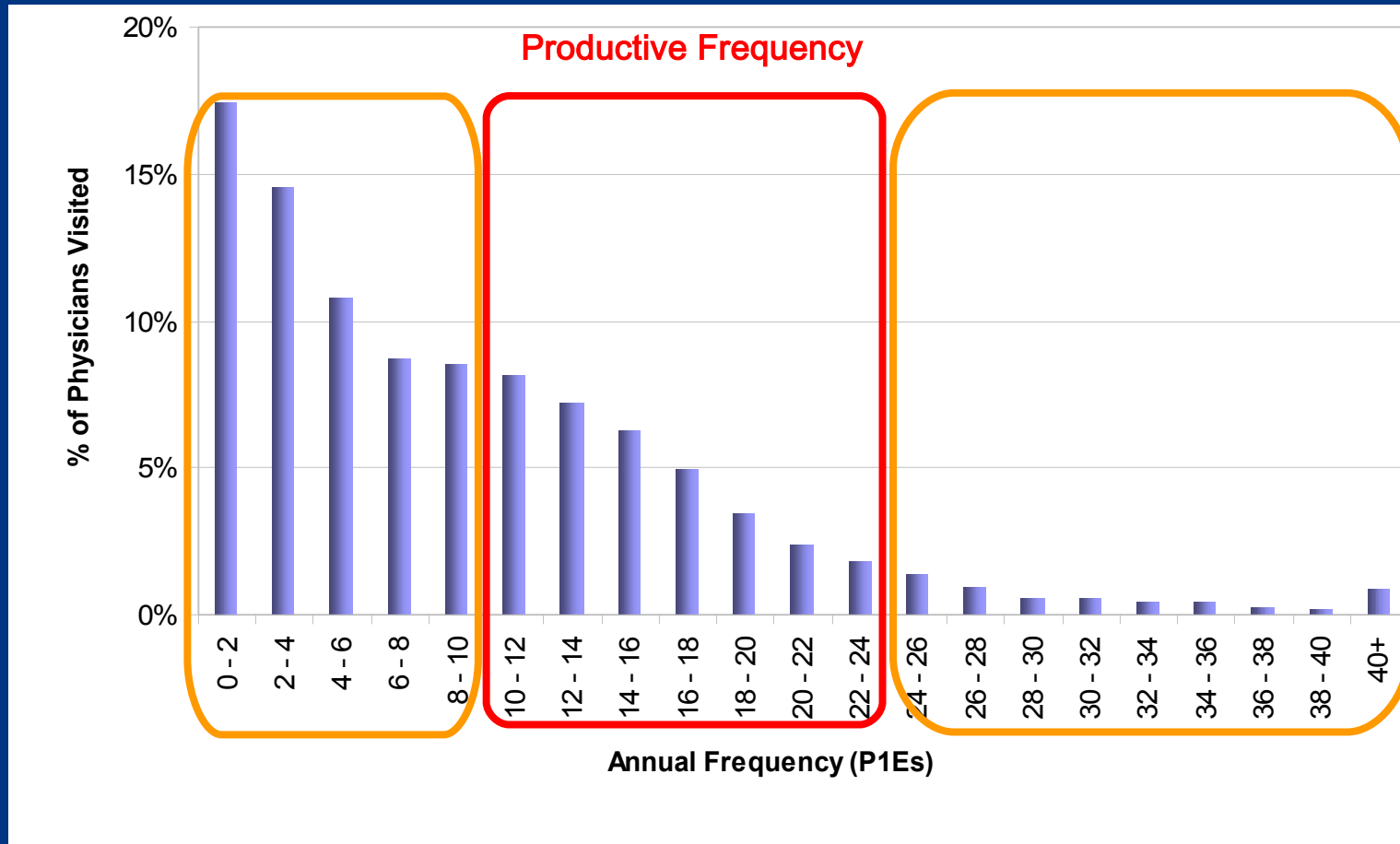
Often it lies roughly between one and two calls a month

When feasible, analysis indicates significant differences in call response across segments



Note: this is one example and the exact nature of responsiveness will be very life cycle dependent

The related indicator is the proportion of effort in the productive range. Over 50% is relatively good !



Calls in this range have less impact than is required

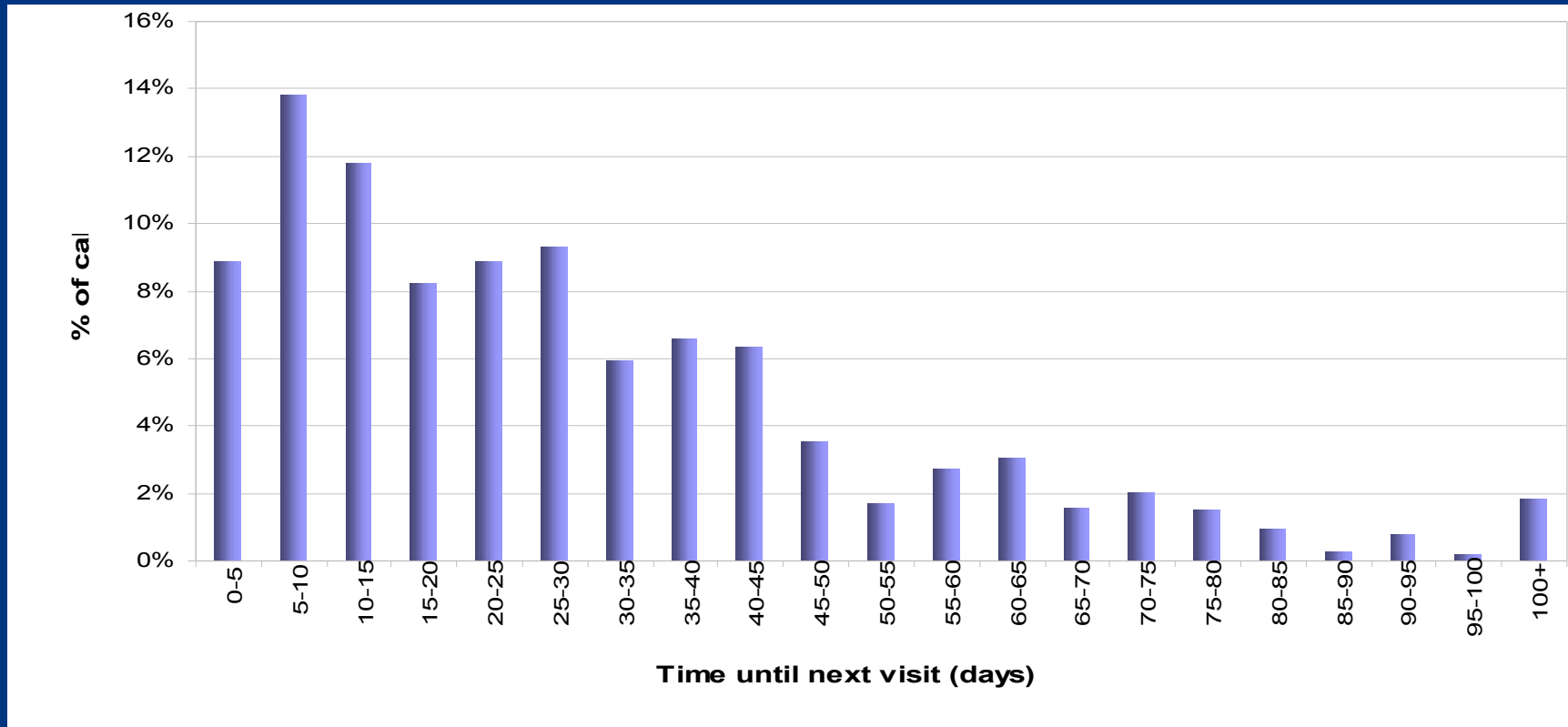
45% of effort

This effort should be allocated to physicians seen below the productive call range

30% of effort

25% of effort

Even the very best organisations are challenged to ensure calling happens at regular intervals



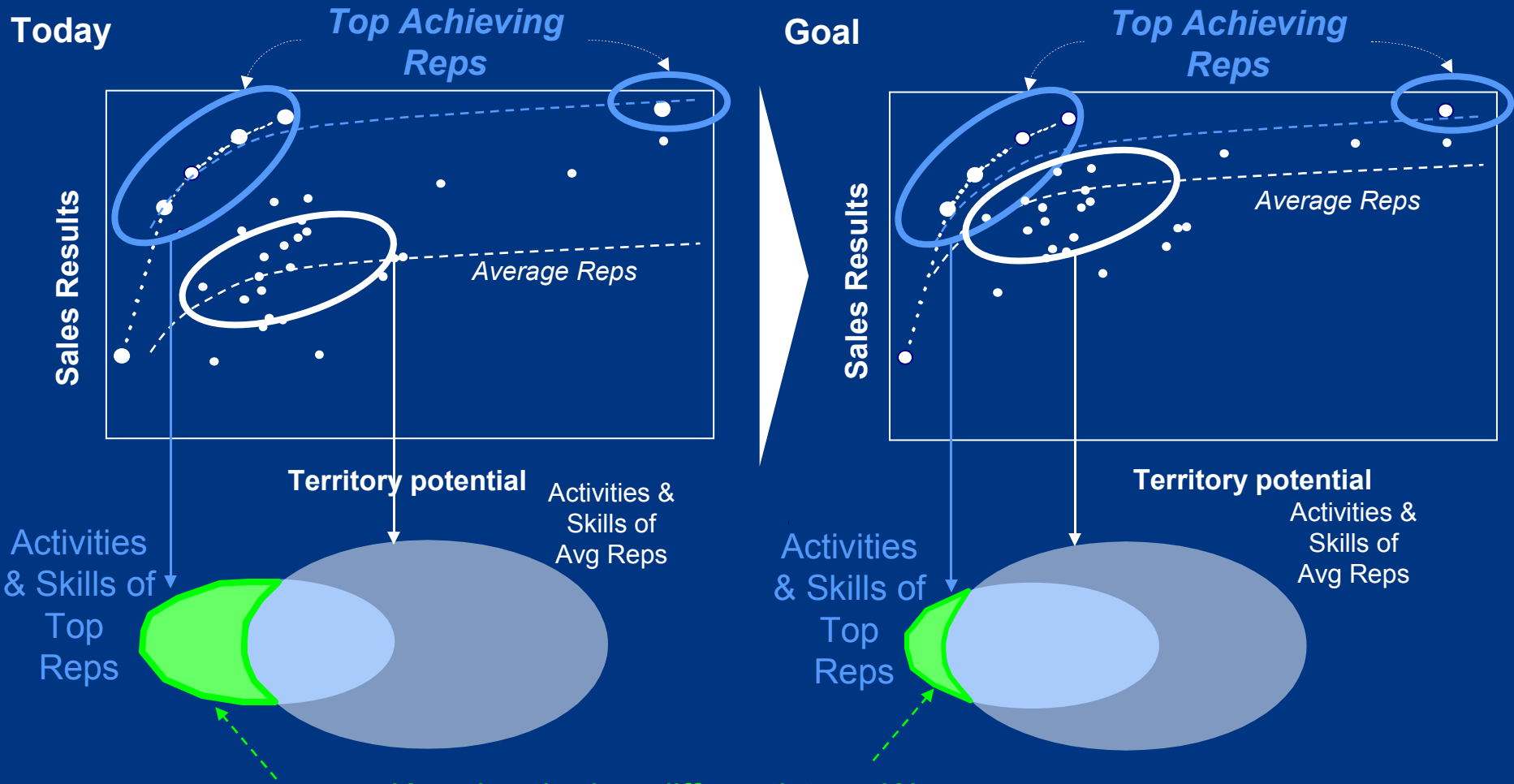
Analysis of call intervals for doctors seen at or near target frequency of once a month (ideal interval 30 days)

One third of visits are made after less than half the required interval

20% of visits are made after an interval of more than 45 days

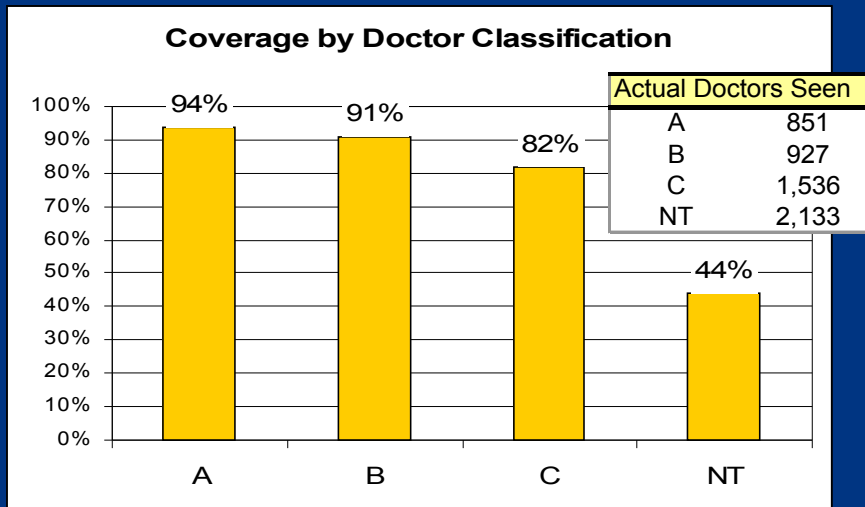
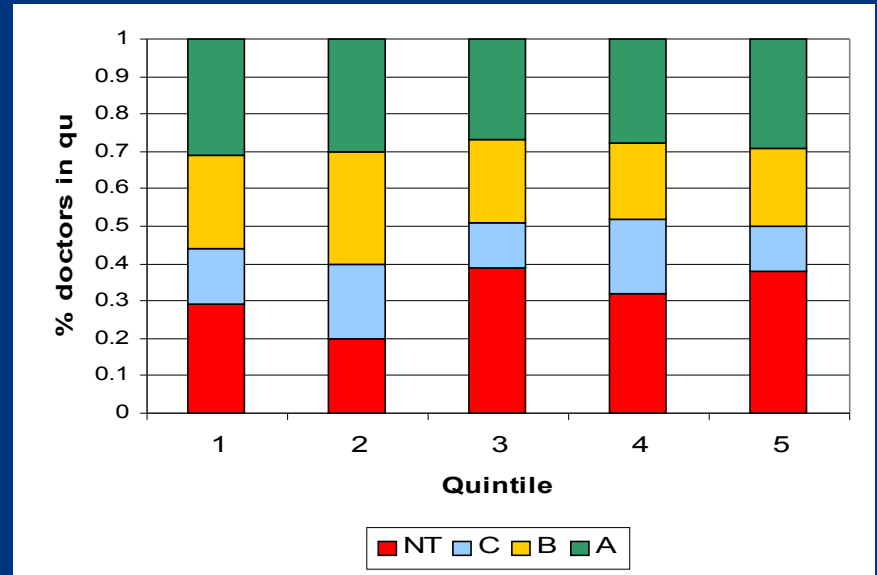
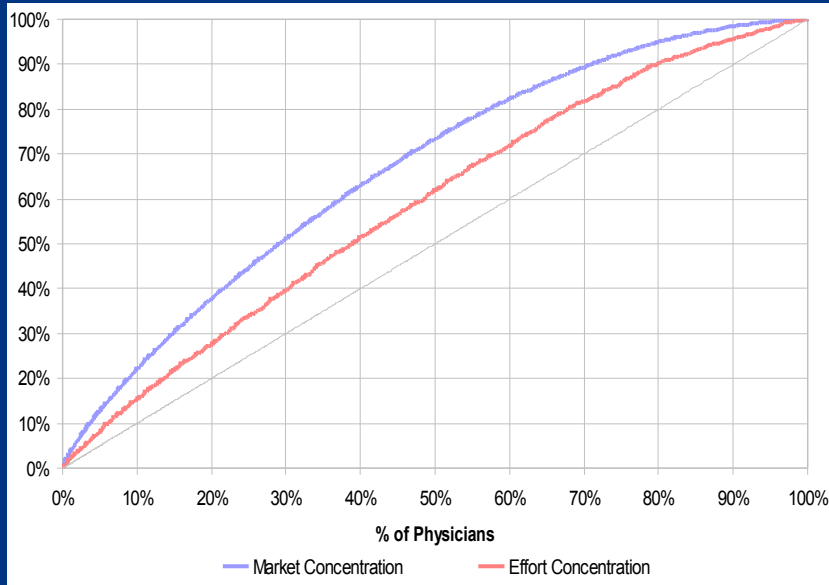
Understanding the tactics of top achievers can help others have impact in their calls

Illustration



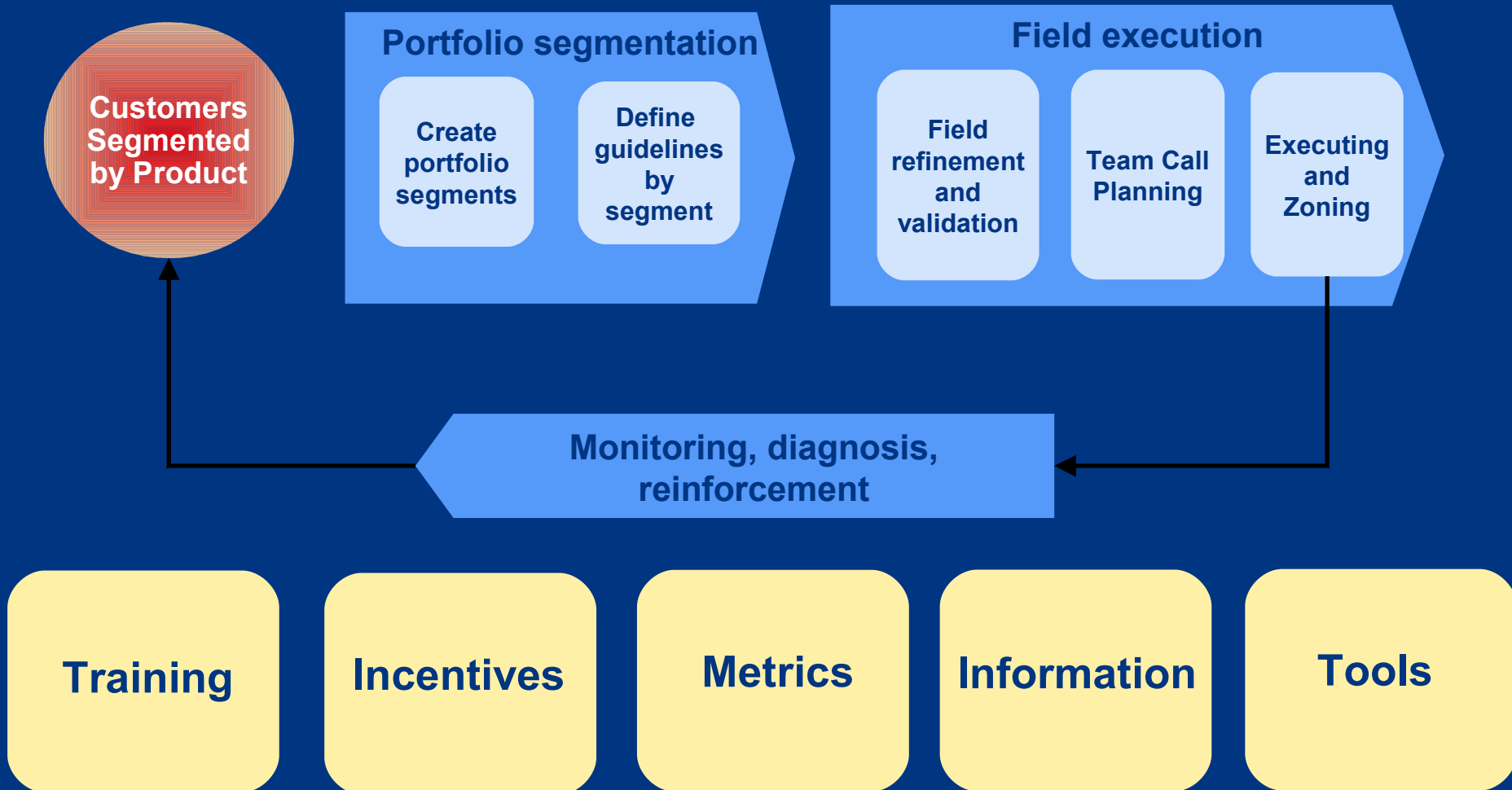
Knowing the key differentiators: We can help Average reps emulate Top reps?

Pulling together the analyses described identifies where and how to improve



- Overall quite good alignment of activity to potential
- Poor focus of coverage onto target doctors (field doesn't believe list)
- Almost random relation between valuation and market sales
- Are the field correct to ignore the target list ?

Implementation requires reps to commit to their call plan and alignment of metrics and incentives



Effective tools make team planning sessions effective and productive

Order and prioritize customer list

Drag and drop to transfer calls from one rep to another

The screenshot shows a software interface for team planning. At the top, there's a 'Generic Pod' section with filters for City, Managed Care, Date, and Date. Below this is a list of doctors with columns for Initial Calls, Robert G. Diemond, Robert G. Diemond, Robert G. Diemond, Robert G. Diemond, Robert G. Diemond, and Robert G. Diemond. A table below the doctors shows call distribution for various reps. At the bottom, there's a 'Rep Summary' table.

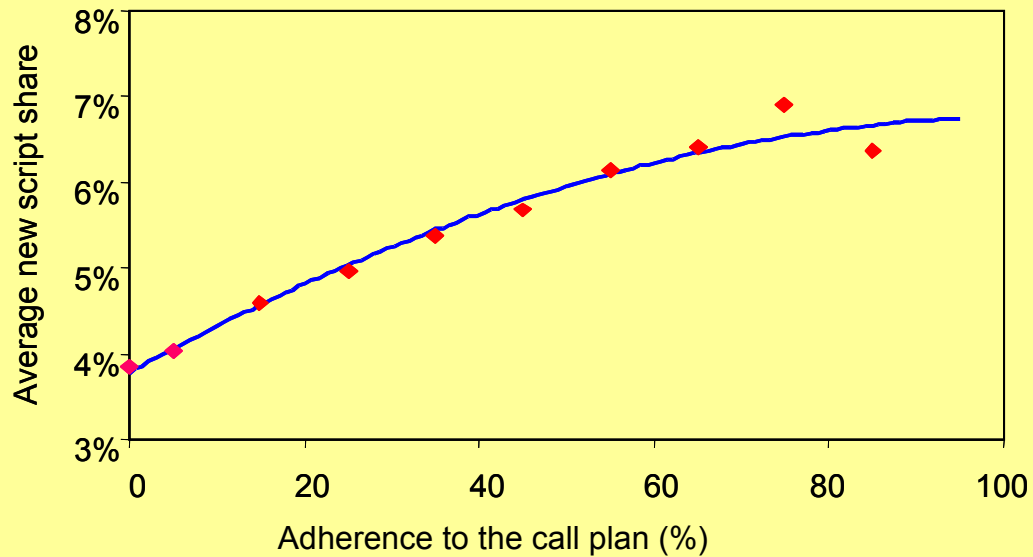
Rep	Committed Targets	Committed Calls	Committed Details
Robert G. Diemond	1	100	200
Tony G. Diemond	100	100	200
Robert G. Diemond	100	100	200

Simple decision support.

Is this plan close enough to our goal?

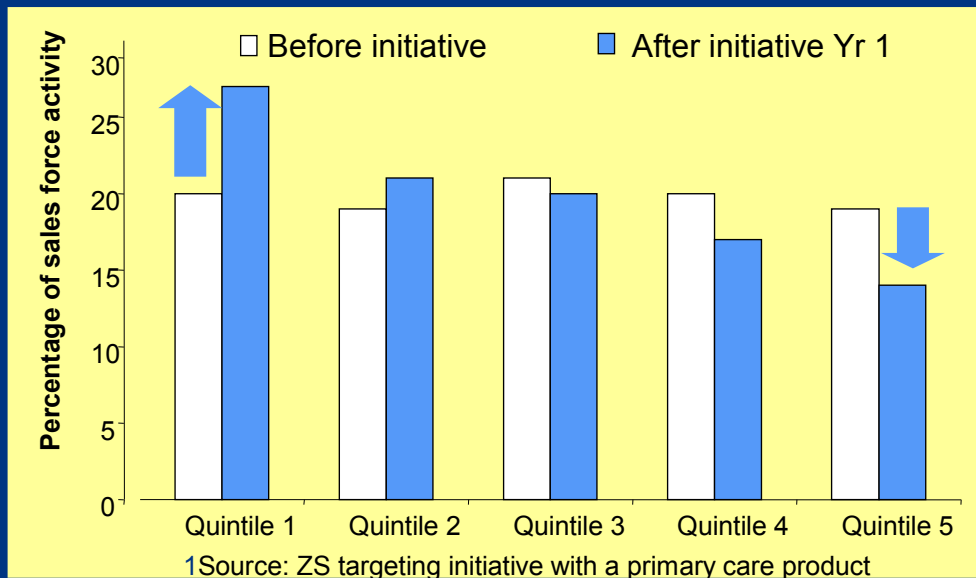
Check how much work has been allocated to each rep

Effective initiatives do work ... and change behaviour in the field



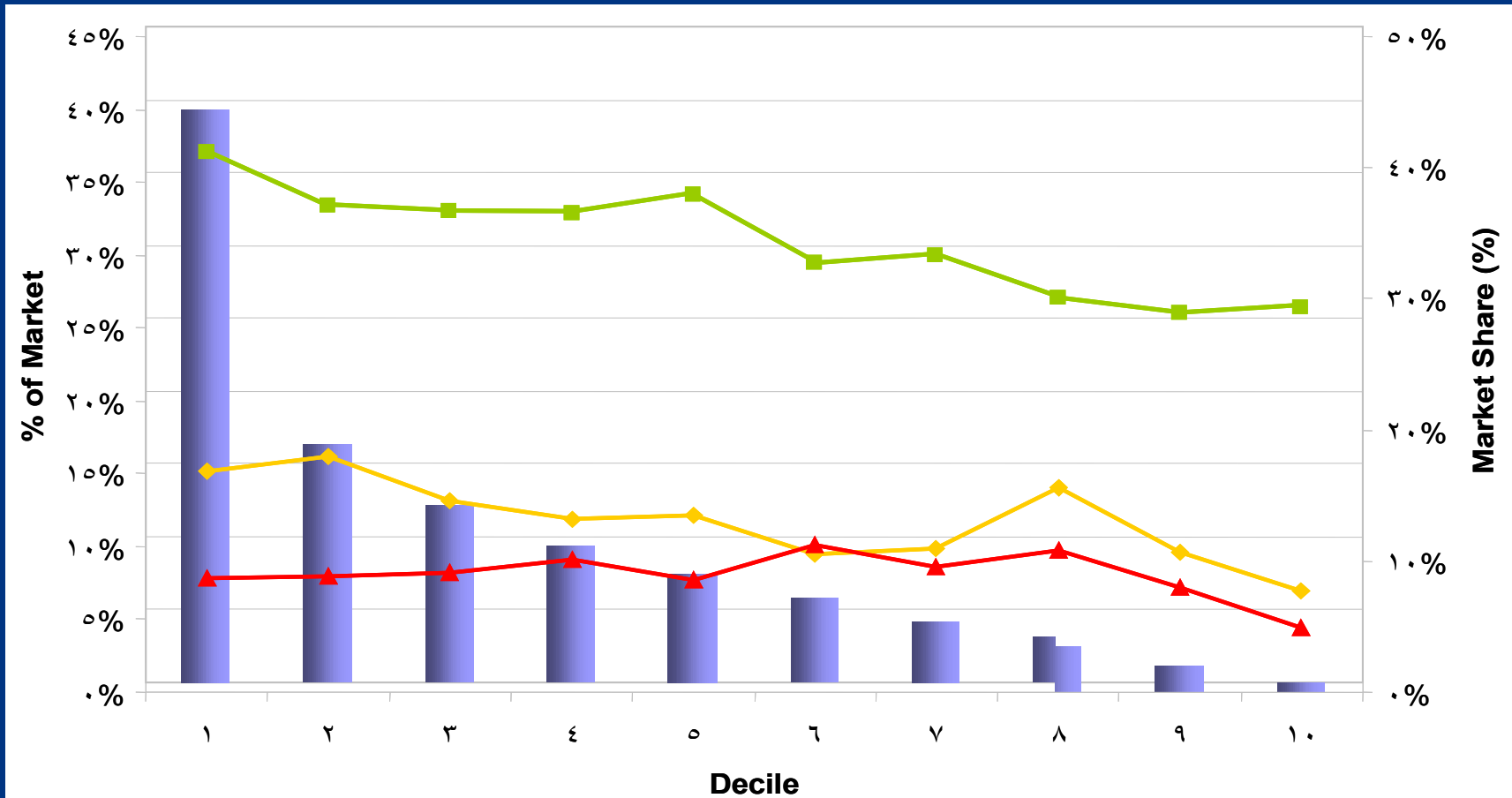
[Link to results and the incentive plan](#)

Results are gradual ...
not all reps will adopt targeting immediately



1Source: ZS targeting initiative with a primary care product

The ultimate test of segmentation and targeting is if brands outperform with top customers

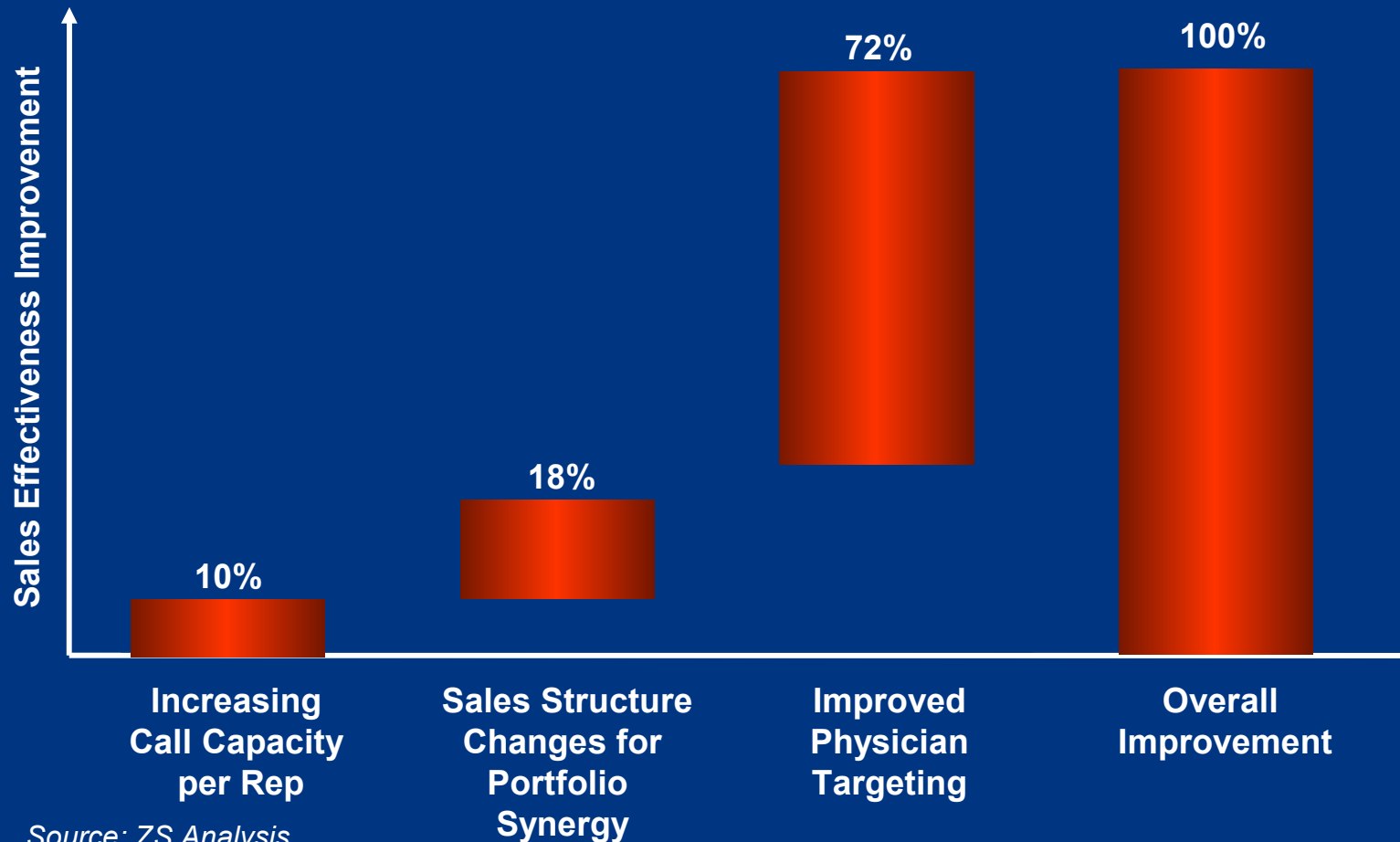


**Overall performance is driven by success in the top 2 or 3 deciles.
Effective targeting should deliver relative out-performance here**

How do the best organisations achieve this ?

Most common obstacles	Best Practice
<ul style="list-style-type: none"> • Too much focus on the “list”, not enough on implementation 	<ul style="list-style-type: none"> • Involve reps, sales management and marketing in the program • Appoint credible targeting champion • Design and implement a training program <ul style="list-style-type: none"> – Value of targeting for reps • Organize planning sessions for reps & DMs to define action plans • Define and publish metrics
<ul style="list-style-type: none"> • Not enough focus on change in rep behaviour 	
<ul style="list-style-type: none"> • Representatives don’t believe the target lists 	<ul style="list-style-type: none"> • Use all available data to increase confidence in valuation • Run a pilot • Allow for rep and DM validation and refinement
<ul style="list-style-type: none"> • Segmentation is overly complex 	<ul style="list-style-type: none"> • Maximum of 4 - 5 segments by product • Simplify communication based on segmentation structure • Define clear and differentiated strategies by segment
<ul style="list-style-type: none"> • Uncoordinated approach across different teams 	<ul style="list-style-type: none"> • Plan activity by team through team planning sessions • Incorporate “zoning” • Provide information within ETMS on team calls

Targeting offers the most opportunity for sales improvement for most pharma sales organisations



The driver is a pragmatic segmentation and effective implementation in the field